

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY-AMERICAN WATER COMPANY)	
SPECIAL CONTRACT WITH LOUISVILLE)	CASE NO. 98-339
WATER COMPANY)	

O R D E R

On December 1, 1998, Kentucky-American Water Company ("Kentucky-American") filed a special contract setting forth rates and terms of service for the construction of a pipeline and sale of water by the Louisville Water Company ("Louisville Water") to Kentucky-American. The contract provides that Louisville Water will construct, and Kentucky-American will pay for, a water transmission line from eastern Jefferson County, Kentucky, to a point in Shelby County, Kentucky, just east of Interstate 64 and Highway 55. The contract specifically provides in paragraph 20(a), that it is subject to "receipt by Buyer [Kentucky-American] of a final, non-appealable Order, in a form and written content acceptable to Buyer, from the PSC in the form of a Certificate of Convenience and Necessity for the facilities to be constructed pursuant to this Agreement."

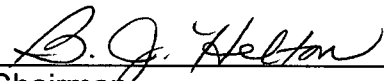
Based on a review of the contract and being otherwise sufficiently advised, the Commission finds that the contract addresses the rights, responsibilities, and obligations of the contracting parties with respect to the construction and payment for facilities that, pursuant to KRS 278.020(1), cannot be constructed until the Commission has issued a certificate that public convenience and necessity require such construction. A review of the Commission's records indicates that Kentucky-American

has not yet filed its application for a certificate to construct the facilities discussed in the contract. Due to the nature, cost, and extent of the construction discussed in the contract, and the 50 year term of the contract, the Commission finds that the contract cannot be reviewed in isolation without the companion certificate application. It would be administratively inefficient for the Commission to now investigate and adjudicate the merits of a contract which is expressly conditioned upon the future decision by the Commission on a construction application that has not yet been filed. In essence, Kentucky-American's contract filing is premature and it should be rejected without prejudice at this time.

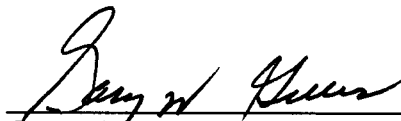
IT IS THEREFORE ORDERED that Kentucky-American's contract with the Louisville Water is rejected without prejudice, and should not be refiled until Kentucky-American files an application for a certificate pursuant to KRS 278.020(1) for authority to construct the facilities discussed in the contract. Upon refile, the contract must be supported by detailed testimony from Louisville Water and Kentucky-American.

Done at Frankfort, Kentucky, this 23rd day of December, 1998.

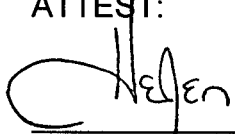
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director